

Top Secret 231

(Security Classification)

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_____ NATIONAL INTELLIGENCE DAILY CABLE _____

_____ Saturday May 29, 1976 _____ CI NIDC 76-127C _____



NATIONAL SECURITY INFORMATION
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DIA and DOS review(s) completed.

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National Intelligence Daily Cable for Saturday May 29, 1976.

[redacted] The NID Cable is for the purpose of informing senior US officials.

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SYRIA-LIBYA

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[redacted] Syrian Foreign Minister Khaddam traveled to Libya yesterday, apparently to discuss a final version of a political agreement the Libyans want to arrange with Syria, Iraq, and Algeria. Palestine Liberation Organization chairman Yasir Arafat is also in Tripoli, and presumably would also sign such an accord.

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[redacted] Serious negotiations began when Libyan Prime Minister Jallud went to Syria and Iraq two weeks ago. Jallud was seeking to mediate Syria's disputes with Libyan-backed leftist forces in Lebanon and with the rival Baathist government in Iraq.

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[redacted] Damascus recently has been trying to counter radical Arab criticism of its policies by portraying its actions in Lebanon as defending Palestinian interests. Khaddam would probably endorse an accord pledging the support of the four states to the Palestinian cause, or to generalities about Arab cooperation against Israel.

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[redacted] Syria would hope such an accord would keep Arafat from moving closer to Egypt, and help elicit substantial Libyan financial aid apparently promised during Jallud's visit.

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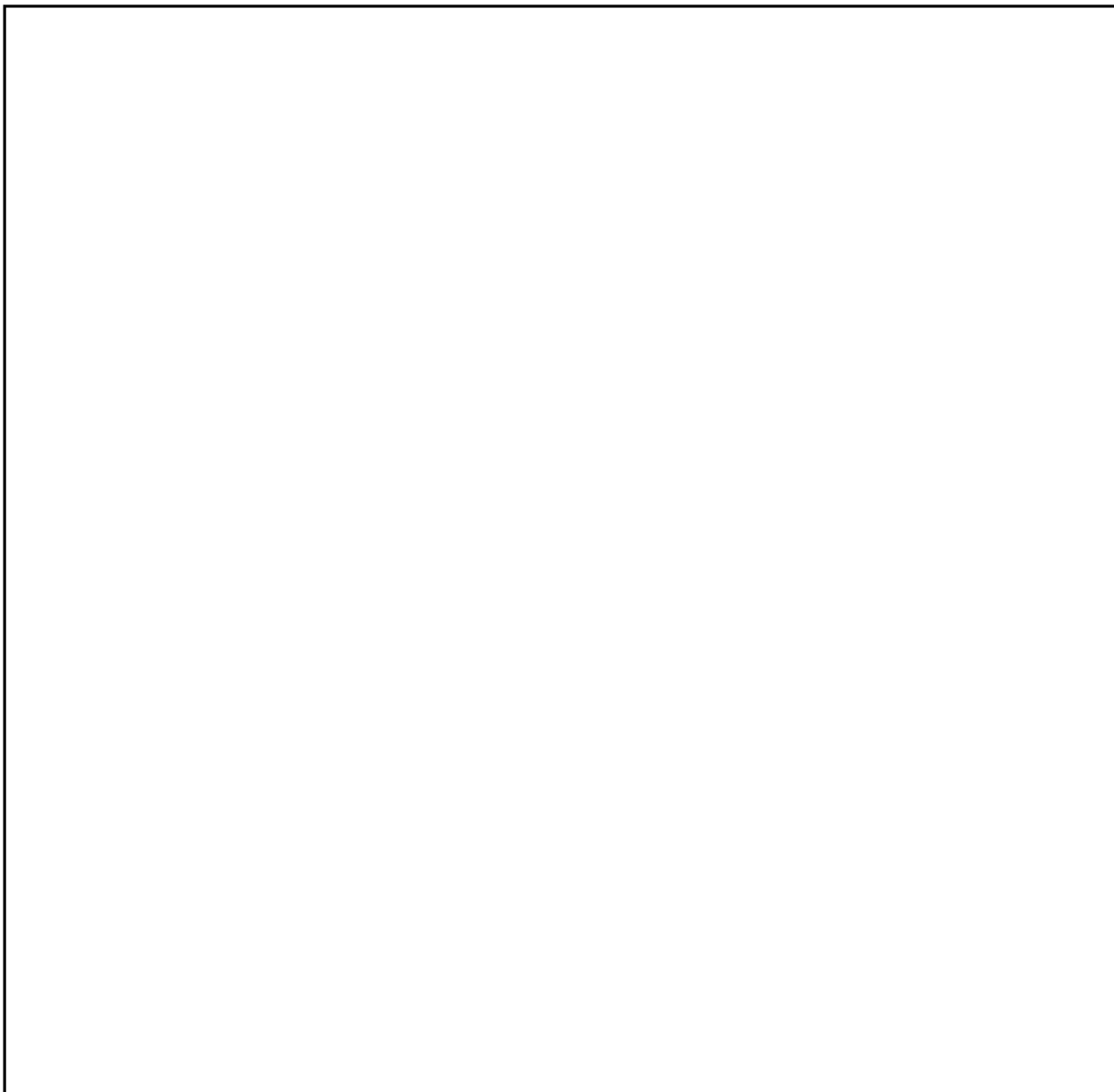
25X1 [redacted] We believe, however, that Damascus is not prepared to
alter its position on basic issues such as those involved in
Middle East peace negotiations. As a result any agreement reached
with the radical Arabs is likely to dissolve quickly, and is un-
likely to solve Syria's financial or foreign policy problems.

25X1 [redacted]

25X1 [redacted]


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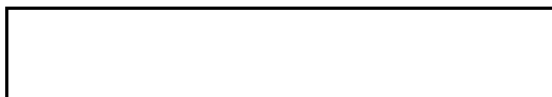
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NONALIGNED STATES

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 The foreign ministers of the 17 nonaligned countries that function as the executive body of the nonaligned movement open a 4-day meeting in Algiers Sunday.



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25X1 [] The ministers will complete work on an agenda for the August nonaligned summit in Colombo and discuss the political and economic statements to be issued there.

25X1 [] Algeria will undoubtedly use the meeting in Algiers to try to assure that its own generally radical orientation continues to dominate nonaligned positions. It has been the leader of the nonaligned states since the last summit, in Algiers in September 1973. Algeria theoretically will hand over this role to Sri Lanka at the August meeting.

25X1 [] Colombo, as host, has been the principal drafter of the declarations to be submitted to the summit in August. Although these documents are reported to be relatively moderate in tone, the Sri Lankans have no authority to refuse to include extreme resolutions in the final declaration.

25X1 [] The more radical nonaligned states--such as Algeria, Cuba, and Iraq--have already indicated they intend to push in Algiers for including certain controversial issues on the summit agenda, even though this is likely to lead to sharp debate.

25X1 [] Puerto Rico and Panama are among the radicals' prime targets. The Cubans, in particular, have pushed for strong non-aligned resolutions on Puerto Rico's status. Most nonaligned states are reluctant to get involved in these issues but few are likely to oppose resolutions calling for the right of self-determination for all "states."

25X1 [] A resolution calling for the expulsion of Israel from the UN failed to gain wide support at a nonaligned meeting last year. Bolstered by the recent Islamic foreign ministers' call for expulsion, however, the radicals in Algiers--especially Iraq and the Palestine Liberation Organization--will push for inclusion of such a recommendation in the Colombo declaration.

25X1 [] The nonaligned movement has traditionally taken a position on the Korean issue and the North Koreans are mounting a major campaign again this year to gain nonaligned support at the UN. Although nonaligned recommendations cannot go much beyond earlier ones, North Korea is lobbying to gain a seat on the coordinating committee. That could assure Pyongyang greater prominence in future nonaligned gatherings.

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[] The foreign ministers will also discuss organizational problems which are likely to be as troublesome as the political issues.

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[] Some Arab nonaligned states--Iraq, in particular--are pushing for the establishment of a permanent nonaligned secretariat. Many other members feel, however, that nonalignment is a "concept" and should not be encumbered with a bureaucratic structure.

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[] Opposing countries, moreover, fear that the country hosting the secretariat would gain a disproportionate influence in formulating nonaligned policies.

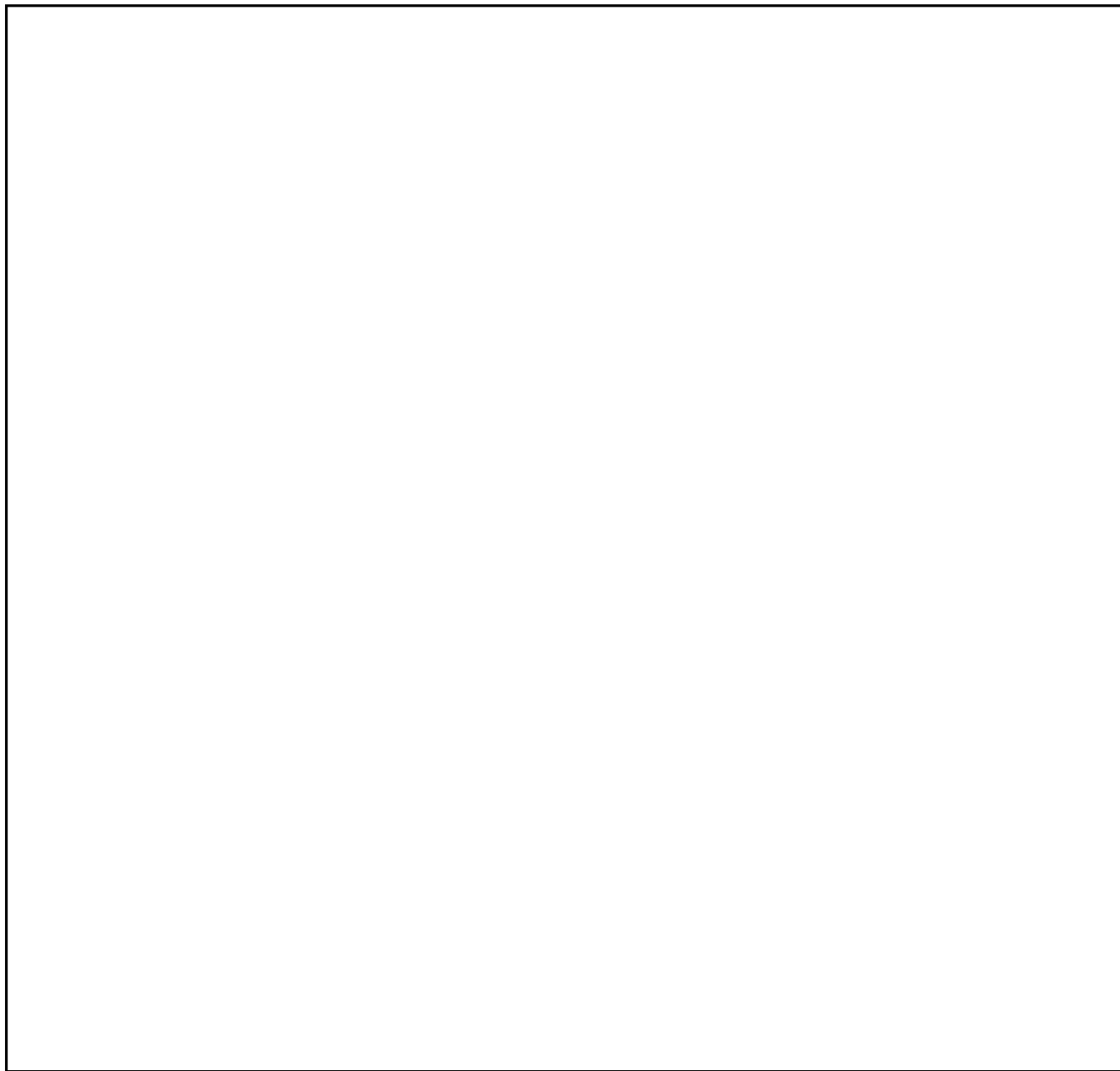
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[] Pressures for admission to the nonaligned movement from countries such as the Philippines and Romania are forcing a reconsideration of the criteria--never strictly applied--for membership. The Indians and Cubans, in particular, are attempting to use the review to prevent the admission of countries politically unacceptable to them. []


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LEBANON

 Lebanese leftist leader Kamal Jumblatt is not expected to meet with president-elect Sarkis until next week at the earliest as a result of the murder of his sister on Thursday.



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[] Fighting in Beirut flared up after the news of her murder spread, but had apparently begun to subside again late yesterday.

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[] Sarkis has been continuing his consultations. In the past two days he has met with most of the key leaders of the Muslim left.

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[] Yesterday he conferred with the leaders of the principal Muslim sects, Lebanese Arab Army commander Khatib, Fatah second-in-command Salah Khalaf, Saiga chief Zuhayr Muhsin, and a representative of Syrian President Asad.

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[] Sarkis is trying through these contacts to promote his proposals for ending the Lebanese civil war and presumably to cool tempers in the wake of the killing. []

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ETHIOPIA

25X1 [] Eritrean insurgents in Ethiopia have attacked at least two of the peasant units being assembled along the southern border of Eritrea Province for the government's planned offensive.

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25X1 [] The US defense attache reports that Addis Ababa has not yet received large supplies of arms and ammunition purchased [] for use in the offensive.

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25X1 [] The government has made no effort to provide the peasants with sufficient food supplies. Numerous incidents have resulted from the peasants' attempts to live off the local population.

25X1 [] Despite these and problems of desertions, the ruling military council is going ahead with plans for the offensive, and new recruits are being transported to the Eritrean border. The council may be waiting for a definitive reply from the insurgents to recent government peace feelers, but time is running short because the rainy season begins next month.

25X1 [] The guerrillas have so far shown no inclination to begin negotiations. []

25X1 [] The predominantly Muslim insurgents are seeking Arab diplomatic intervention to halt the peasant offensive. The leader of one of the two main rebel groups appealed for Arab intervention at the Islamic foreign minister's conference in mid-May.

25X1 [] Ahmed Nasser, the leader of the other faction, visited Damascus this week to request Syrian support, and was scheduled to make a similar plea in Jidda. [] 25X1

25X1 [] Addis Ababa is attempting to convince Arab states that it is genuinely seeking a peaceful solution to the Eritrean conflict. [] 25X1

25X1 [] The Ethiopians may have gotten a sympathetic hearing from the South Yemenis. Aden has strengthened relations with Ethiopia's socialist regime in recent months [] 25X1

25X1 [] The other Arabs will most likely denounce the planned offensive and urge Addis Ababa to offer more concessions in its peace proposals.

25X1 [] Sudanese President Numayri is concerned that the Eritrean offensive will spill over and lead to clashes between Sudanese and Ethiopian forces. He recently appealed to Addis Ababa and the insurgents to begin immediate negotiations. [] 25X1

OPEC

25X1 [] The OPEC oil ministers concluded the second and last day of their Bali meeting yesterday by agreeing to continue the oil price freeze that was to expire on June 30.

25X1 [] Saudi Arabia and countries that support its moderate view evidently won the day by preventing the unanimity that would have been essential on any substantive decision, including a price change. Last September, the Saudis yielded to the pressure of other cartel members to achieve a consensus; the result was a 10-percent price hike on benchmark crude.

25X1 [] The Saudis want to continue the price freeze until the end of the year/ []

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In any case, the OPEC price level cannot be changed until the ministers meet again.

25X1 [] The next regular OPEC conference is scheduled to be held in Qatar on December 15, but a majority of countries can convene an extraordinary meeting at any time.

25X1 [] The oil ministers approved a temporary scheme for crude oil price differentials, but we do not know the precise timing and the method of implementing the new system. This plan probably will lead to price adjustments; the price of some heavy crudes is expected to decline and that of some light crudes may rise.

25X1 [] The meeting did not resolve the issue of moving the cartel's headquarters from Vienna. Nor did the final communique make any reference to Mexican membership. []

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PORTUGAL

25X1 [] Four candidates of national stature met the filing deadline yesterday for Portugal's presidential election on June 27, but the campaign is likely to be primarily a personality contest between Prime Minister Azevedo and army chief General Eanes.

25X1 [] Eanes is the early favorite by virtue of the endorsements he has received from the three major political parties--the Socialists, the centrist Popular Democrats, and the conservative Social Democratic Center--as well as from two groups on the far left. He is also counting on support from much of the military.

25X1 [] Eanes' initial public appearances have raised some concern, however, that his reticence and austere appearance may severely limit his popular appeal.

25X1 [] Prime Minister Azevedo, in contrast, moves easily among the people and is widely credited with repulsing Communist-backed bids for power last year.

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Although Azevedo is not supported by any party organization, he hopes to capitalize on Eanes' ineffectiveness publicly and on his own reputation in rural areas, where the population tends not to vote for a candidate simply because he is backed by a certain party.

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To beat Eanes, however, Azevedo must overcome the left-leaning Marxist image ascribed to him since more conservative officers, led by General Eanes, gained ascendancy after crushing the leftist military rebellion last November. Azevedo's candidacy was rumored to have been encouraged by Communist sympathizers, but this has not been substantiated and he has publicly rejected Communist support.

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Azevedo is openly challenging Eanes for the centrist and conservative vote and, in statements earlier this week, has taken a harder position than his opponent against admitting Communists into his government.

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To further his cause, Azevedo is apparently trying to identify himself with the US and the NATO alliance, telling one interviewer that he would not allow Communist participation in any future government so long as the US opposed it.

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Eanes, on the other hand, said this week that while the Communists could not enter the government now, they might be able to do so later on. The army chief was also less than whole-hearted in his support of NATO, insisting that Portugal would remain a loyal ally, but adopting the rhetoric of leftist military officers in suggesting that both military blocs should and would disappear.

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Former security chief Otelo de Carvalho is expected to appeal primarily to the far left, which represents no more than 5 percent of the voters. Carvalho, currently on conditional liberty pending trial for his role in the abortive uprising in November, was granted special permission by the army to engage in political activities until the supreme court rules on his presidential eligibility.

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The Communist Party candidate, Octavio Pato, will probably take the vote of his party, assorted front organizations, and of leftists who want a civilian president. Pato is not in the race to win, but to serve as a bargaining chip with which the Communists hope to gain a position in the new government.

25X1 [] Pato probably would have withdrawn from the race if the Communists had been able to convince President Costa Gomes to run. If a runoff vote appears unlikely, Pato may still pull out of the competition and throw Communist votes to whichever candidate the party decides will be most sympathetic to its interests. []

ROMANIA

25X1 [] The successive visits of Soviet army General Yepishev and Communist Party secretary Katushev to Romania are the latest signs that Moscow is putting heavy political and economic pressure on Bucharest.

25X1 [] The visits follow Romanian President Ceausescu's intensely nationalistic campaign in late April and early May challenging the Soviets publicly on "proletarian internationalism."

25X1 [] The Soviets first initiated a series of talks with the Romanians in an apparent effort to place Ceausescu under the gun. Vadim Zagladin, first deputy head of the Soviet party's international department, unexpectedly visited Bucharest on April 29 and 30. He met with Stefan Andrei, Romanian party secretary for foreign relations.

25X1 [] Also on April 29, Ceausescu received the Soviet ambassador at the latter's request, reportedly to discuss economic subjects. Diplomats in Bucharest speculated that the Soviets were offering "economic sweeteners" to obtain Romania's backing for the long-delayed conference of European parties.

25X1 [] On May 19, Romania's ambassador in Moscow was called in by Katushev, who probably reiterated the Kremlin's dissatisfaction with Bucharest's recalcitrant stance.

25X1 [] The next day, the Romanians urgently called in a Spanish diplomat to inform him that relations with Madrid could not be established next month as planned. The Romanians reportedly said that the decision was "beyond our control"--a formulation strongly suggesting Soviet disapproval.

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[] Four days later, General Yepishev, who is chief of the Soviet armed forces' main political directorate, arrived in Bucharest for talks with Defense Minister Ionita and army Chief of Staff Coman. Yepishev left on May 28, and Katushev arrived the same day for a "friendly visit" at the invitation of the Romanian party central committee.

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[] An invitation from the central committee is highly unusual, and suggests that Ceausescu is staging a show of unity in the face of Soviet pressure--and of collective accountability in case he has to yield.

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[] Since early this month, Ceausescu has generally maintained a low profile, perhaps in order to avoid further annoying Moscow, although he did use the unannounced mobilization and alert exercise in mid-month to show Romania's determination.

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[] The Romanians have recently become somewhat defensive about preparations for the European party conference. []

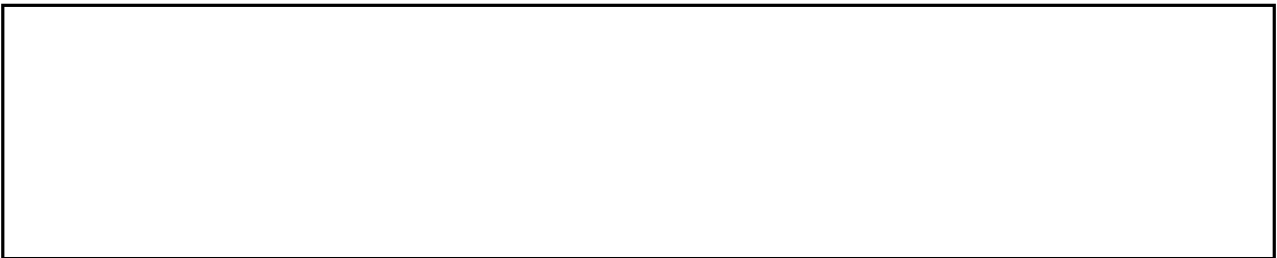
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[] Bucharest will try to avoid giving its independent friends--particularly the Yugoslavs--the idea that it has "caved in" on essential matters of substance. Until the Soviet pressure eases, however, Ceausescu will probably have to rely on the other independents to fight his battles. []

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CHILE

[redacted] Chile last week received its first medium-term commercial bank credit since the military took power in September 1973. The \$125-million, three-and-a-half year loan to the central bank from a consortium of 16 US, Canadian, and Latin American banks will give Chile a psychological boost, close this year's foreign payments gap, and help stimulate economic recovery.

[redacted] The general-purpose loan was granted despite the continuing allegations of human rights abuses. Adverse foreign reaction to the allegations, together with plummeting world copper prices last year, sharply reduced Chile's receipts of foreign capital.

[redacted] The new loan, plus receipts from higher copper prices, will more than cover the balance-of-payments deficit that Santiago had earlier projected for this year. Santiago will now be able to increase needed industrial imports later this year and still meet nearly \$800 million in scheduled debt service payments.

[redacted] Despite the improved outlook, real gross national product should increase by only 2 to 4 percent over last year's extremely depressed level. [redacted]



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